

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name WHITE LAKE FIRE AUTHORITY	County MUSKEGON
Fiscal Year End 12/31/2006	Opinion Date 03/27/07	Date Audit Report Submitted to State 03/30/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BRICKLEY DELONG, PLC		Telephone Number 231-726-5800	
Street Address 316 MORRIS AVENUE, SUITE 500		City MUSKEGON	State Zip MI 49443
Authorizing CPA Signature <i>Timothy D. Arter, CPA</i> <i>for Brickley DeLong, PLC</i>		Printed Name TIMOTHY D ARTER	License Number 10253

White Lake Fire Authority
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended December 31, 2006

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Brief discussion of the basic financial statements

This annual report consists of three parts-*management's discussion and analysis, the basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Authority.

- *The first three columns of the financial statements include information about the Authority's General Fund and two capital project funds under the modified accrual method of accounting. These financial statements focus on current resources and provide a detailed view of the Authority's sources and uses of funds.
- *The "Adjustments" columns of the financial statements represent adjustments necessary to convert the modified accrual statements to the government-wide financial statements under the full accrual method of accounting required for the year ended December 31, 2006.
- *The last column provides both long term and short term information about the Authority's overall financial status. The "Statement of Net Assets" and the "Statement of Activities" provide information about the activities of the Authority as a whole, and present a longer term view of the Authority's finances.

The financial statements also include *notes* which explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Condensed Financial Information

A. Statement of Net Assets

The current assets are comprised of cash and investments and property taxes receivables. The taxes receivable represents taxes levied in December 2006, but not collected or recognized until 2007. The taxes are not recognized as revenues since they are intended to fund fiscal year 2007 operations. Current assets decreased this year due to cash used to purchase capital assets. Capital assets, net of depreciation increased due to significant additions including a ladder truck offset by normal annual depreciation.

The current liabilities are primarily deferred revenue related to the taxes receivable noted above. Noncurrent liabilities increased due to the Authority entering into a \$387,000 installment purchase agreement related to the ladder truck mentioned above.

The net assets are divided into three types. "Invested in capital assets, net of related debt" represents the Authority's investment in capital assets net of accumulated depreciation and debt related to the purchase of the capital assets. "Invested in capital assets, net of related debt" increased primarily due to the ladder truck addition. The "restricted for capital projects" represents the monies set aside for future equipment and facilities upgrades and replacements. This amount decreased this year due to the use of funds to purchase the equipment mentioned above. The unrestricted net assets represent assets available to the Authority.

Condensed Statement of Net Assets

	<u>2006</u>	<u>2005</u>
Current assets	\$ 941,619	\$ 1,112,184
Capital assets, net of depreciation	<u>1,409,136</u>	<u>824,693</u>
Total assets	<u>2,350,755</u>	<u>1,936,877</u>
Current liabilities	566,356	495,258
Noncurrent liabilities	<u>337,113</u>	<u>-</u>
Total liabilities	<u>903,469</u>	<u>495,258</u>
Net assets		
Invested in capital assets, net of related debt	1,053,387	824,693
Restricted for capital projects	332,721	560,504
Unrestricted	<u>61,178</u>	<u>56,422</u>
Total net assets	<u>\$ 1,447,286</u>	<u>\$ 1,441,619</u>

B. Statement of Activities

The statement of activities measures the Authority's financial performance for the year. The largest revenue source is property taxes which represents approximately 85% of total revenues. Intergovernmental revenues decreased significantly due to a lack of available federal grants. The largest expenses are salaries, wages and fringe benefits and depreciation, which represent approximately 49% and 20% of total expenditures, respectively. Salaries decreased due to the Fire Chief position being reduced from a full time position to a part-time position during the year. Depreciation expense increased due to continued replacement of aging equipment and new equipment additions. The increase in other expenses was primarily the result of an increase in repair cost due to aging equipment, interest expense as result of debt issues and training costs.

Condensed Statement of Activities

	<u>2006</u>	<u>2005</u>
General revenues		
Property taxes	\$ 490,045	\$ 464,327
Intergovernmental revenues	51,792	132,604
Contributions	1,195	20,025
Other	32,598	26,716
Total revenues	<u>575,630</u>	<u>643,672</u>
Expenditures		
Salaries, wages and fringe benefits	279,894	297,936
Depreciation expense	116,069	71,634
Other expenses	174,000	134,500
Total expenditures	<u>569,963</u>	<u>504,070</u>
Change in net assets	5,667	139,602
Net assets at the beginning of the year	<u>1,441,619</u>	<u>1,302,017</u>
Net assets at the end of the year	<u>\$ 1,447,286</u>	<u>\$ 1,441,619</u>

Analysis of modified accrual Financial Statements

The Authority operates three separate funds, each of which serves a different function. The General Fund is the Authority's primary operating fund in which all transactions for day to day operations are recorded. The capital project funds are established to set aside funds for future upgrades and replacement of equipment and facilities.

The General Fund had an increase in fund balance of \$15,674. Revenues decreased primarily due to a drop in federal grant revenues. Expenditures decreased by approximately \$71,000 due to a drop in capital outlay in the General Fund. The General Fund ended the year with a fund balance of \$72,096.

In the General Fund, the significant balances, other than cash and investments, are property taxes receivable and an off-setting deferred revenue account, since the taxes levied in December 2006 are intended to fund fiscal year 2007 operations.

The largest expenses of the General Fund are salaries, wages and fringe benefits. Salaries and wages decreased due to the change in Fire Chief position to part-time. The fringe benefits include payroll taxes, and workers compensation, health, life, vision and dental insurance, and retirement for full-time employees. Fringe benefits decreased due to the reductions of fringe benefits associated with the Fire Chief position.

Authority Budget Highlights

The original budget was amended during the year. The significant adjustments are as follows:

- Salary and wage expenses were amended lower to reflect the new part-time Fire Chief position.
- Equipment maintenance was amended higher due to an increase in repairs due to aging equipment and a significant repair to one piece of equipment.
- Professional fees were amended higher due to fire chief search fees.

The actual revenues and expenditures exceeded budget in a couple of areas.

- Intergovernmental revenues – Federal was over budget due to a 2005 grant that was carried over and completed in 2006. The carryover of this grant was not included in the budget.
- Capital outlay was also over budget due to the purchase of a breathing air fill station and two personal water crafts.

Capital Assets

The Authority had a large increase in capital asset purchases during the year. The most significant items included a ladder truck, breathing air fill station and two personal water crafts. The Authority had various other purchases which are summarized in total in footnote D of the financial statements.

Long-term Debt

During the year the Authority entered into an installment purchase agreement for \$387,000 and repaid principal of \$31,251 resulting in a year end balance of \$355,749. Additional information is available in Note F of the financial statements.

Anticipated Budget Factors and Currently Known Facts for 2007

The 2007 budget is expected to show a small decrease in fund balance as a result of the creation of a new full time position. This new position will be partially funded with an anticipated increase in revenues and a decrease in costs associated with the Fire Chief position. As part of this budget, the General Fund will continue to transfer funds to the capital project funds in amounts similar to the prior year.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those interested in them. Questions may be directed to the Fire Chief at White Lake Fire Authority, 115 S. Baldwin, Whitehall, MI 49461.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

March 27, 2007

Board of Directors
White Lake Fire Authority
Whitehall, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of White Lake Fire Authority as of and for the year ended December 31, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the White Lake Fire Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of White Lake Fire Authority as of December 31, 2006 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - iv and 15 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



White Lake Fire Authority
BALANCE SHEET—STATEMENT OF NET ASSETS
December 31, 2006

	Balance Sheet - Modified accrual					Statement of
	General	Equipment replacement	Facilities	Total	Adjustments	Net Assets - Full accrual
ASSETS						
Cash and investments	\$ 90,814	\$ 115,129	\$ 218,712	\$ 424,655	\$ -	\$ 424,655
Property taxes receivable	516,964	-	-	516,964	-	516,964
Due from other funds	1,120	-	-	1,120	(1,120)	-
Capital assets, net						
Depreciable	-	-	-	-	1,409,136	1,409,136
Total assets	<u>\$ 608,898</u>	<u>\$ 115,129</u>	<u>\$ 218,712</u>	<u>\$ 942,739</u>	1,408,016	2,350,755
LIABILITIES						
Accounts payable	\$ 6,667	\$ -	\$ -	\$ 6,667	-	6,667
Accrued liabilities	13,171	-	-	13,171	10,918	24,089
Due to other funds	-	-	1,120	1,120	(1,120)	-
Deferred revenue	516,964	-	-	516,964	-	516,964
Long-term debt						
Due within one year	-	-	-	-	18,636	18,636
Due in more than one year	-	-	-	-	337,113	337,113
Total liabilities	536,802	-	1,120	537,922	365,547	903,469
FUND BALANCES						
Reserved for:						
Equipment replacement	-	115,129	-	115,129	(115,129)	-
Facility replacement	-	-	217,592	217,592	(217,592)	-
Unreserved						
Undesignated	72,096	-	-	72,096	(72,096)	-
Total fund balances	<u>72,096</u>	<u>115,129</u>	<u>217,592</u>	<u>404,817</u>	<u>(404,817)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 608,898</u>	<u>\$ 115,129</u>	<u>\$ 218,712</u>	<u>\$ 942,739</u>		
NET ASSETS						
Invested in capital assets, net of related debt					1,053,387	1,053,387
Restricted for capital projects					332,721	332,721
Unrestricted					61,178	61,178
Total net assets					<u>\$ 1,447,286</u>	<u>\$ 1,447,286</u>

The accompanying notes are an integral part of this statement.

White Lake Fire Authority
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
IN FUND BALANCES—STATEMENT OF ACTIVITIES
For the year ended December 31, 2006

	Revenues and Expenditures - Modified accrual					Statement of Activities - Full accrual
	General	Equipment replacement	Facilities	Total	Adjustments	
REVENUES						
Property taxes	\$ 490,045	\$ -	\$ -	\$ 490,045	\$ -	\$ 490,045
Intergovernmental revenues						
Federal	32,520	-	-	32,520	-	32,520
Local	19,272	-	-	19,272	-	19,272
Investment earnings	12,087	4,627	9,153	25,867	-	25,867
Contributions	1,195	-	-	1,195	-	1,195
Other	6,731	-	-	6,731	-	6,731
Total revenues	561,850	4,627	9,153	575,630	-	575,630
EXPENDITURES						
Current						
Salaries and wages	215,732	-	-	215,732	-	215,732
Fringe benefits	64,162	-	-	64,162	-	64,162
Operating supplies	6,104	-	-	6,104	-	6,104
Gasoline	14,006	-	-	14,006	-	14,006
Equipment maintenance	26,300	-	-	26,300	-	26,300
Office supplies	1,541	-	-	1,541	-	1,541
Insurance and bonds	17,583	-	-	17,583	-	17,583
Communications	13,713	-	-	13,713	-	13,713
Education and training	6,645	-	-	6,645	-	6,645
Professional fees	16,886	-	-	16,886	-	16,886
Uniforms	3,842	-	-	3,842	-	3,842
Rental and lease expense	15,760	-	-	15,760	-	15,760
Other	8,676	-	-	8,676	-	8,676
Debt service						
Principal	-	31,251	-	31,251	(31,251)	-
Interest and fees	-	4,712	-	4,712	10,918	15,630
Capital outlay	43,092	682,018	2,716	727,826	(700,512)	27,314
Depreciation	-	-	-	-	116,069	116,069
Total expenditures	454,042	717,981	2,716	1,174,739	(604,776)	569,963
Excess of revenues over (under) expenditures	107,808	(713,354)	6,437	(599,109)	604,776	5,667
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt	-	387,000	-	387,000	(387,000)	-
Transfers in (out)	(92,134)	82,134	10,000	-	-	-
Change in fund balances—net assets	15,674	(244,220)	16,437	(212,109)	217,776	5,667
Fund balances—net assets at January 1, 2006	56,422	359,349	201,155	616,926	824,693	1,441,619
Fund balances—net assets at December 31, 2006	\$ 72,096	\$ 115,129	\$ 217,592	\$ 404,817	\$ 1,042,469	\$ 1,447,286

The accompanying notes are an integral part of this statement.

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the White Lake Fire Authority (Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below:

Reporting Entity

White Lake Fire Authority is incorporated under the provisions of Act 57 Public Acts of 1988 in Michigan for the purpose of providing a fire protection and rescue services to Fruitland Township, Whitehall Township and the City of Whitehall. The Authority is governed by a six member Board, appointed by the participating governmental units, and is administered by a Fire Chief appointed by the Board.

Generally accepted accounting principles require that if the Authority has certain oversight responsibilities over other organizations, those organizations should be included in the Authority's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Authority. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All three of the Authority's funds are considered to be major funds.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

The Equipment Replacement Fund and Facility Fund are used to account for the purchase of capital assets for the Authority.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Fund Equity or Net Assets

Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Authority reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Authority intends to hold the investment until maturity.

The Authority has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Authority to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Fund Equity or Net Assets—Continued

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectibles.

Property taxes are levied on December 1 and are due without penalty on or before February 15. The property taxes attach as an enforceable lien on property as of December 1. Property taxes are collected and forwarded to the Authority by the participating municipalities. Uncollected real property taxes as of the following March 1 are turned over by the participating municipalities to the County for collection. The County advances the Authority all of these delinquent real property taxes. Collection of delinquent personal property taxes as of March 1 remains the responsibility of the Authority.

The Authority recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 day). The 2005 state taxable valuation for real/personal property of the Authority was approximately \$340,000,000. The ad valorem taxes levied consisted of 1.44 mills for operating purposes.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include plant and equipment, are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Fund Equity or Net Assets—Continued

Capital Assets—Continued

Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Leasehold improvements	10
Transportation equipment	6-20
Equipment	10
Furniture and fixtures	7
Office equipment	5

Compensated Absences

The Authority's full-time employees are granted vacation and sick leave in varying amounts based upon length of service and position. Unused vacation and sick time does not accumulate from year to year.

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Authority follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the beginning of the year, the Fire Chief submits to the Authority Board a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Not later than December 31, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Authority Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund and individual revenue and expenditure line item. The legal level of budgetary control is the individual line item. The Authority Board made several supplemental budgetary appropriations throughout the year.

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

Excess of Expenditures Over Appropriations

	Amended <u>budget</u>	<u>Actual</u>
General Fund		
Capital outlay	\$ 6,500	\$ 43,092
Equipment Replacement Fund		
Debt service		
Principal	-	31,251
Interest and fees	-	4,712
Capital outlay	6,000	682,018
Facilities Fund		
Capital outlay	-	2,716

These overexpenditures were funded with available fund balance.

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Authority does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2006, \$416,000 of the Authority's bank balance of \$441,581 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. The Authority does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Authority is not authorized to invest in investments which have this type of risk.

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
Capital assets, being depreciated:				
Leasehold improvements	\$ 5,950	\$ -	\$ -	\$ 5,950
Transportation equipment	661,909	640,118	-	1,302,027
Equipment	396,242	58,156	-	454,398
Furniture and fixtures	1,841	-	-	1,841
Office equipment	11,208	2,238	-	13,446
Total capital assets, being depreciated	1,077,150	700,512	-	1,777,662
Less accumulated depreciation:				
Leasehold improvements	2,948	332	-	3,280
Transportation equipment	151,752	72,966	-	224,718
Equipment	88,756	41,052	-	129,808
Furniture and fixtures	1,080	175	-	1,255
Office equipment	7,921	1,544	-	9,465
Total accumulated depreciation	252,457	116,069	-	368,526
Capital assets, net	\$ 824,693	\$ 584,443	\$ -	\$ 1,409,136

NOTE E—INTERFUND TRANSFERS

Interfund transfers:

	Equipment Replacement Fund	Transfers in: Facilities Fund	Total
Transfers out:			
General Fund	\$ 82,134	\$ 10,000	\$ 92,134

The transfers from the General Fund were made to fund future capital asset replacements and improvements.

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE F—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Authority for the year ended December 31, 2006.

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006	Due within one year
Governmental activities:					
Installment purchase agreement	\$ -	\$ 387,000	\$ 31,251	\$ 355,749	\$ 18,636

The \$387,000 installment purchase agreement is due in annual installments of \$35,962 including interest through May 2020. Interest is due annually at 4.87 percent.

Annual debt service requirements to maturity for debt outstanding as of December 31, 2006 follows:

Year ending December 31,	Governmental activities	
	Principal	Interest
2007	\$ 18,636	\$ 17,326
2008	19,543	16,419
2009	20,495	15,467
2010	21,493	14,469
2011	22,540	13,422
2012-2016	130,275	49,540
2017-2020	122,767	14,873
	<u>\$ 355,749</u>	<u>\$ 141,516</u>

NOTE G—DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred revenues reported in the governmental funds were \$516,964 due to property taxes levied in December 2006 that were unearned and intended to fund fiscal year 2007.

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE H—OTHER INFORMATION

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Liabilities in excess of insurance are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the prior three years.

Building Leases

The Authority leases facilities from the City of Whitehall and Fruitland Township, which are participating governmental units, under thirty-year agreements. The City of Whitehall lease requires semi-annual rentals of approximately \$4,390. The Fruitland Township lease requires annual rental of approximately \$5,800. Occupancy expenses are paid by the lessor for both leases. Total rent expense was \$14,580 for the year ended December 31, 2006.

Each lease can be terminated by either party with twelve months advance notice.

Equipment Leases

The Authority leases equipment from the City of Whitehall and Fruitland Township under a thirty-year agreement requiring annual rentals of \$1. The Authority is responsible for all repair and maintenance of leased equipment. If leased equipment is replaced by the Authority, the leased equipment is required to be returned to the lessor for its disposal. Each lease can be terminated by either party with twelve months advance notice.

NOTE I—DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Authority employees at their option, permits participants to defer a portion of their salary until future years and provides 5 percent matching contributions of employee elective deferrals. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency. The Authority's matching contribution was \$6,223 for the year ended December 31, 2006.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

**NOTE J—RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

Total fund balance - governmental funds	\$	404,817
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Amounts reported for government activities in the
Statement of Net Assets are different because:

Capital assets used in the governmental activities are
not current financial resources and are not reported
in the governmental funds.

Cost of capital assets	\$ 1,777,662	
Accumulated depreciation	<u>(368,526)</u>	1,409,136

Accrued interest in governmental activities is not reported in the governmental funds.		(10,918)
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Long-term liabilities in governmental activities are not due and payable in the current period and are not reported in the governmental funds.		<u>(355,749)</u>
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Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>1,447,286</u></u>
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Net change in fund balances - total governmental funds	\$	(212,109)
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Amounts reported for government activities in the
Statement of Activities are different because:

Governmental funds report outlays for capital assets
as expenditures; in the Statement of Activities, these
costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (116,069)	
Capital outlay	<u>700,512</u>	584,443

Debt proceeds are other financing sources in the governmental funds, but the proceeds increase long-term debt in the Statement of Net Assets.		(387,000)
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White Lake Fire Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

**NOTE J—RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE
FINANCIAL STATEMENTS—Continued**

Net change in fund balances - total governmental funds—Continued

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

\$ 31,251

Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid.

(10,918)

Change in net assets in governmental activities

\$ 5,667

REQUIRED SUPPLEMENTARY INFORMATION

White Lake Fire Authority
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended December 31, 2006

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 489,263	\$ 489,263	\$ 490,045	\$ 782
Intergovernmental revenues				
Federal	-	-	32,520	32,520
Local	21,580	21,580	19,272	(2,308)
Investment earnings	2,500	2,500	12,087	9,587
Contributions	-	-	1,195	1,195
Other	3,000	3,000	6,731	3,731
Total revenues	516,343	516,343	561,850	45,507
EXPENDITURES				
Current				
Salaries and wages	237,813	215,248	215,732	(484)
Fringe benefits	67,846	66,348	64,162	2,186
Operating supplies	4,000	5,800	6,104	(304)
Gasoline	15,000	15,500	14,006	1,494
Equipment maintenance	17,000	25,000	26,300	(1,300)
Office supplies	1,500	1,600	1,541	59
Insurance and bonds	20,000	20,000	17,583	2,417
Communications	13,500	13,900	13,713	187
Education and training	5,000	7,000	6,645	355
Professional fees	14,000	19,000	16,886	2,114
Uniforms	2,000	3,800	3,842	(42)
Rental and lease expense	15,800	15,900	15,760	140
Other	5,750	8,613	8,676	(63)
Capital outlay	5,000	6,500	43,092	(36,592)
Total expenditures	424,209	424,209	454,042	(29,833)
Excess of revenues over (under) expenditures	92,134	92,134	107,808	15,674
OTHER FINANCING USES				
Transfers out	(92,134)	(92,134)	(92,134)	-
Net change in fund balance	\$ -	\$ -	15,674	\$ 15,674
Fund balance at January 1, 2006			56,422	
Fund balance at December 31, 2006			\$ 72,096	

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

March 27, 2007

Board of Directors
White Lake Fire Authority
Whitehall, Michigan

In planning and performing our audit of the financial statements of White Lake Fire Authority as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered White Lake Fire Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We have attached a summary of deficiencies that we consider to be significant deficiencies.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This communication is intended solely for the information and use of management, the Board of Directors, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



SIGNIFICANT DEFICIENCIES

Recommendation 1: Proper segregation of duties should be established.

Small organizations with limited resources and personnel inherently have difficulty establishing and maintaining an accounting system with strong internal accounting controls including significant segregation of duties.

It is inherently difficult to maintain proper segregation of duties, but the Authority should look for opportunities to further segregate duties and strengthen internal controls.

Recommendation 2: Budgetary policies and procedures should be improved.

During the audit, we noted several significant budget violations during the year. The largest budget violation related to budgeting for a large capital outlay during the year. The expenditure was approved by the Board, but not included in the Authority's preliminary budget or final amended budget.

The budgeting procedures and internal control surrounding this function should be improved. The budget should be amended prior to incurring additional expenditures.

We consider this item contained in our April 29, 2002 letter as still applicable:

Recommendation: A capitalization policy should be adopted including a floor dollar limit for recording of assets within the Statement of Net Assets.